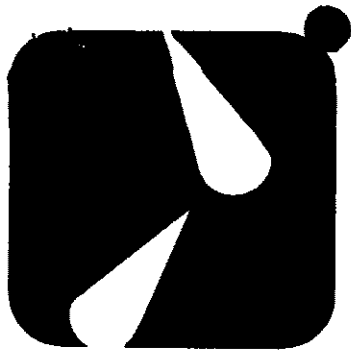


FORM CRM-159
APR. 87



For additional
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202/737-5830

NEW ZEALAND DAIRY BOARD

NEWS

NEW ZEALAND DAIRY DOLLARS BUY AMERICAN EXPORTS:

New Zealand is a traditional trading partner of the United States, and spent nearly \$1,000,000,000 on American products in 1981. To finance these purchases, New Zealand is principally dependent on export earnings from agricultural products.

In 1981 dairy exports were second only to meat as New Zealand's largest export earner, accounting for 20.2 percent of total foreign exchange earnings with customers in more than one hundred countries.

Value of New Zealand Exports - (Year Ended 12/31/81)

	<u>NZ\$ Million</u>	<u>% of Total Exports</u>
Meat	1713	26.3
Dairy Products	1316	20.2
Wool	980	15.0
Other animal products	398	6.1
Forest products	590	9.1
Other primary products	353	5.4
Manufactured exports	1124	17.2
Miscellaneous	45	0.7
	_____	_____
Total Value of exports in 1981	6519	100.0
	_____	_____

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In the 1980/81 season 14.7 billion pounds of milk were produced in New Zealand. Ninety percent flowed into the manufacture of dairy products, and the remaining ten percent was either consumed as liquid milk on the domestic market or fed to stock. In a typical year 82 percent of New Zealand's total butter production is earmarked for export. Likewise, 80 percent of all cheese was exported, as was 88 percent of all skim milk powder and 99 percent of all casein. Altogether, about three quarters of New Zealand's dairy production is exported in the form of manufactured dairy products each year.

The viability of the New Zealand dairy industry is thus totally dependent on the continued ability to export more than 80 percent of the dairy products produced there. Because of this dependence the New Zealand dairy industry constantly monitors trends in the international dairy market, and works in cooperation with governments and dairy industries of other countries around the world to reach solutions to problems which could cause instability in that market.

The most significant underlying factor in the sensitivity of the international dairy market is the fact that all the principal dairy producing countries of Europe and North America support their dairy farmers, and, as a direct consequence of this support, protect their markets from imports. Less than five percent of the world's milk production is traded internationally, so that New Zealand, with only a relatively small proportion of total milk production, is the major international supplier. However, the subsidized overhang of this market generated by the support practices of many producing countries is often greatly

larger than the market itself. This makes New Zealand, whose competitiveness in the market is based on the natural advantages of climate combined with farms and plants which are the most economic in the world, very vulnerable to the subsidy practices of other producing countries. On this subject, J. T. Graham, Chairman of the New Zealand Dairy Board, speaking to the 21st International Dairy Congress in Moscow earlier this year, made some interesting points:

" . . . If we are to find ways to achieve and maintain balance between the production and consumption of milk, we must focus on interference with the linking function of prices. I am not going to enter into a discussion on the motives of governments who intervene to set dairy prices, because I know that their actions derive from perfectly understandable political and social objectives. But where governments set the prices at levels which are so high as to cause consumers to react, and then guarantee to buy what the consumers will not buy, they will inevitably create imbalance."

" . . . Producers, while focussing on the technology of production, may tend to ignore consumers' reactions because the government, rather than the consumer, has become the customer."

" . . . Problems of imbalance in domestic dairy trades, in turn affect the five percent of world milk production which is traded internationally. While domestic surplus stocks are being bought in by official agencies, governments commonly try to protect the system by import barriers . . . and are tempted to seek expedient solutions to their problems by subsidizing exports. This can provide no real solution. International dairy trade

amounts to a mere five percent of total dairy trade and only about half of this represents markets which are accessible - that is, free of government import restrictions.

An example before us right now is the serious imbalance in the United States of America and the consequent surplusses of butter, cheese and milk powders now in the hands of the United States government. The Americans have acknowledged publicly that this was created by political decisions which linked the price of milk to movements in other prices, and which was backed by the undertaking of the government to buy in, without limit, the resultant products which consumers decline to buy at those prices."

" . . . At the time this paper was prepared, the U. S. government held in its stores sufficient butter and skimmilk powder (Nonfat Dry Milk or NFDM) to supply all of the accessible international markets for a whole year, and sufficient Cheddar cheese to supply the total international market for four years. The markets are already being supplied by others, and agreed international trade obligations exist, so export is clearly not a solution for the Americans' problem."

RECENT TRENDS IN NZ MILK PRODUCTION AND PROCESSING

	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
	('000 tonnes)			
(a) <u>Production</u>				
Milk produced ⁽¹⁾	6061	6491	6826	6676
Of which,				
Fluid consumption	536	533	519	503
Processed by dairy factories	5394	5823	6175	6043

(Note: (1) includes feed to stock and wastage)

(b) Dairy Product Manufacture

	1977/78		1978/79		1979/80		1980/81	
	Produced (%)	Export)	Produced (%)	Export)	Produced (%)	Export)	Produced (%)	Export)
	('000 tonnes)							
Butter ⁽¹⁾	239.1	(76)	259.3	(76)	262.4	(92)	256.2	(84)
Cheese	80.7	(87)	90.3	(70)	105.7	(65)	84.0	(96)
SMP	172.0	(96)	173.9	(69)	168.5	(102) ⁽³⁾	180.8	(90)
WMP ⁽²⁾	67.3	(89)	70.0	(93)	76.5	(91)	96.8	(77)
Casein	56.7	(127) ⁽³⁾	63.3	(106) ⁽³⁾	66.2	(103) ⁽³⁾	59.4	(86)
TOTAL:	615.8	(89)	656.8	(78)	679.3	(92)	677.2	(86)

(Notes: (1) includes butter equivalent of AMF

(2) includes infant foods

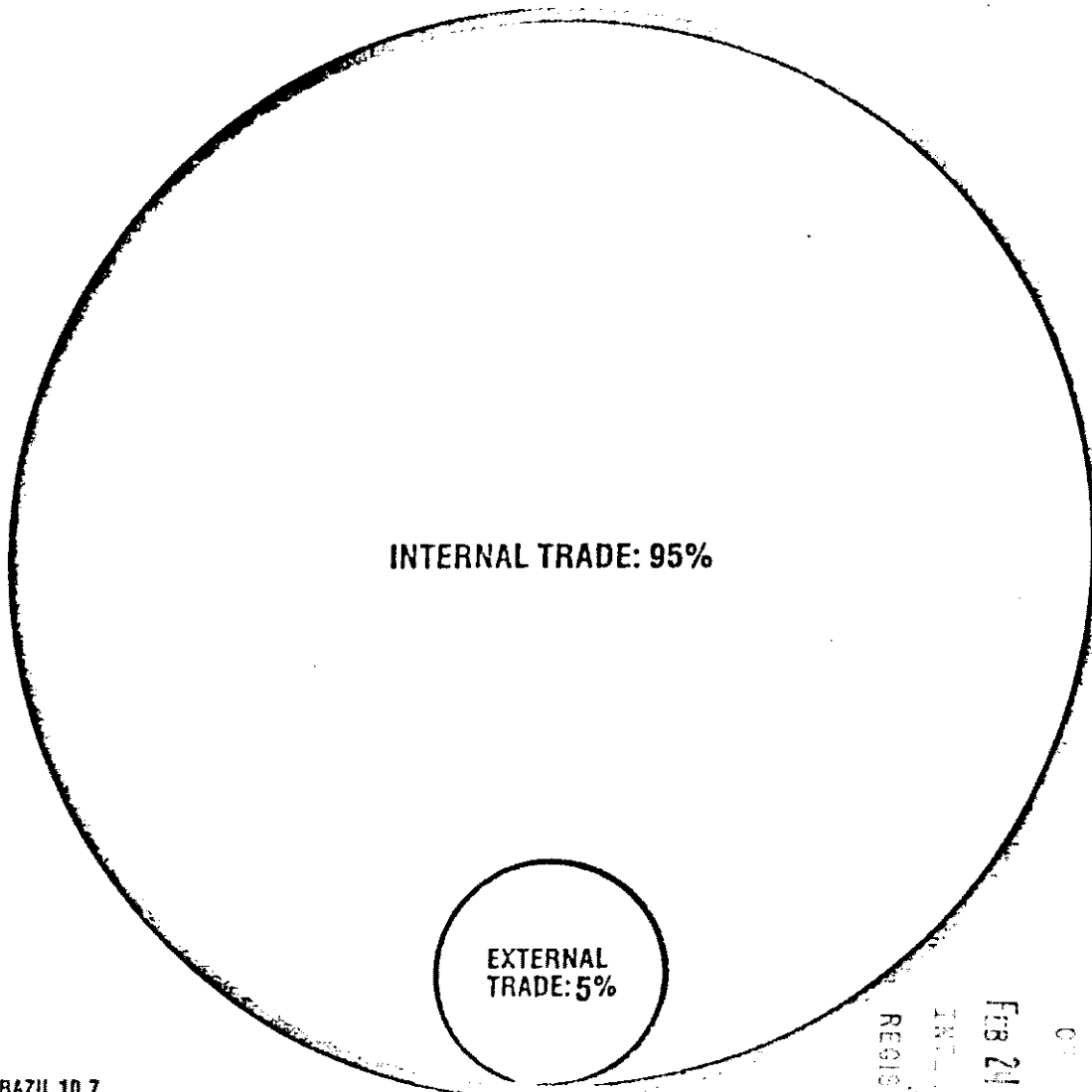
(3) includes stock reduction)

WORLD MILK PRODUCTION AND TRADE

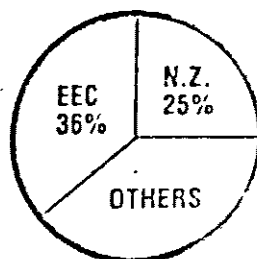
Average 1974-1978

WORLD TRADE (MILK EQUIVALENTS)

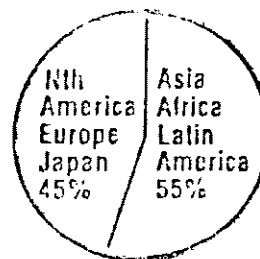
EEC	102
USSR	92
USA	54
INDIA	26
POLAND	17
BRAZIL	10.7
EAST GERMANY	8.0
CANADA	7.6
NEW ZEALAND	6.2
AUSTRALIA	6.1
CHINA	5.5
ARGENTINA	5.3
JAPAN	5.3
ALL OTHERS	92



EXPORT



IMPORT



Sources: F.A.O.

Commonwealth Secretariat
New Zealand Dairy Board
Australian Dairy Corporation
USDA.

First Published 1974: International Dairy Federation, proceedings of international dairy congress.
(Basis 1971-73 Average). NZDB 1981 Revised 1981 (1974-1978 averages)

PREPARED BY NEW ZEALAND DAIRY BOARD